# INFORMATION TECHNOLOGY MANAGEMENT STUDY SUBCOMMITTEE

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**COMMITTEE MEMBERS**
REPRESENTATIVE BOB RANEY, CHAIRMAN
REPRESENTATIVE TOM ZOOK
SENATOR GREG JERGESON
SENATOR TOM BECK

**LFD STAFF**
PAM JOEHLER, SENIOR FISCAL ANALYST
GREG DeWITT, SENIOR FISCAL ANALYST
CINDY CAMPBELL, COMMITTEE SECRETARY

## MINUTES
March 8, 2000
Room 487, Federal Building
Helena, Montana

## ROLL CALL
Rep. Bob Raney
Rep. Tom Zook
Sen. Tom Beck
Sen. Greg Jergeson
Pam Joehler, Senior Fiscal Analyst
Greg DeWitt, Senior Fiscal Analyst
Cindy Campbell, Committee Secretary

## Call to Order  (Tape 1A-000)

The third meeting of the Information Technology Management Study Subcommittee (IT Subcommittee) was called to order at 8:50 a.m. by Representative Bob Raney, Chair, on Wednesday, March 8, 2000.  The meeting was held in Room 487 of the Federal Building, Helena, Montana.

## 1.  Approval of December 8, 1999 Minutes  (Tape 1A-001)

**Representative Zook** moved that the minutes of the December 8, 1999 meeting be approved as presented.  **VOTE:**  The motion carried unanimously.

## 2.  Introduction of Consultant and Format for Consultant Visit  (Tape 1A-002)

Greg DeWitt, Senior Fiscal Analyst, introduced Carol Kelly, Vice President and Service Director of Electronic Government Strategies for META Group, and provided a background summary of her experience with legislatures and electronic government.  He also distributed copies of the Iowa statute on telecommunications.

### 3.  Consultant Presentation on IT Governance Issues  (Tape 1A-300)

Carol Kelly provided a computer video presentation on IT governance issues.  (Exhibit 2)  She outlined the following agenda:  1) define governance; 2) how governance is relevant for IT; 3) identify the issues you want resolved—what currently doesn't work?; 4) review of state governance practices; 5) discuss current practices (Iowa and Wyoming); 5) review options; and 6) develop move forward strategy for Montana and next steps.

She told the subcommittee that the classic definition of governance is:  1) to exercise authority over; rule; administer; 2) to influence the action of; guide; sway; 3) to be a rule or law for; and 4) to hold in check; restrain.  The three key words she stressed to the subcommittee members are administer, influence, and guide.  Ms. Kelly stated that governance provides specific decision groups for public policy initiatives and the IT delivery infrastructure.  She talked about the governance committees (legislative and policy) which can:  1) have ongoing responsibility for review of IT; 2) have sponsorship and funding for initiative delivery; 3) have oversight of major statewide IT initiatives; and 4) develop legislation required to implement IT initiatives in accordance with public policy.  Sometimes governance options are done by initiative or policy and Ms. Kelly gave examples of both of these.  She discussed the issues which governance must be accountable for:  1) feedback loops for meaningful dialogue and correction of strategies; and 2) culture, existing practices, current successes and failures, which drive the creation of the governance domains.  The remainder of her presentation included the components of governance, the issue of leveraging governance to enable organization and process change, and the degree of difficulty and leverage with various governance models.  Ms. Kelly described the components of governance as follows:  1) Policy – the rules, guidelines, principles and standards that govern; 2) Process – the charter for review of IT including: roles, responsibilities, outcomes and funding IT projects; and 3) People – global workforce issues that result from legislative or executive branch decisions.  At the conclusion of this portion of her presentation, Ms. Kelly asked the subcommittee the following question:  Given the definition of governance, what are the problems the legislature must address?

This aforementioned question was the lead-in for the subcommittee's discussion on IT governance, facilitated by Carol Kelly.  She distributed copies of Alaska's Telecommunications

and Information Technology Plan (Exhibit 3), and Objectives of the 2000-2002 Biennium from the State of Wyoming's Information, Planning and Coordination Office (Exhibit 4).

**ISSUES IDENTIFIED:** Members discussed various issues related to IT governance which resulted in the initial steps for the subcommittee's direction toward IT governance in Montana. Issues presented during the discussion included: digital divides; inter- and intra-state right-of-ways and statutes relating to them; electronic connection for private business, the public and especially the rural areas; funding for these IT projects and the level of priority given the funding; information exchange between disparate databases and various computer systems; and costs of inputting data and maintaining the databases for the voluminous amount of information to be shared and the ability to recover those costs. Ms. Kelly recorded each of the issues listed by the subcommittee members in outline form to be used as the design for the formation of the governance plan.

Following the discussion, Pam Joehler asked the subcommittee members to think back to the last legislature and recollect the issues that drove the language, related to governance, in HB 2. **Senator Beck** stated that the basic issue that drove the language was the need to get a handle on computer costs and figure out exactly where the funds are being spent. They wanted to know the cost figures for the whole state as opposed to agency by agency, and also needed some method to measure efficiency. Ms. Kelly told the members that in order to get a handle on the IT situation, they needed to develop an organizational plan to include information officers. She suggested that each department have a Chief Information Officer (CIO), who reports to the director, and that there be a central CIO at the cabinet level, who presents IT issues to the legislature. The central CIO would also provide routine (quarterly, yearly, etc.) status reports on IT projects to the legislature through the LFC or other legislative committee. Ms. Kelly talked about the importance of the placement of the CIO in the executive branch and options for a board. She told the members of the subcommittee the typical information technology board may include the following members: CIO, legislators, representatives from the private sector, constituents, and a representative from the governor's office. Some states' boards are comprised of a very large number of members and some very small. She suggested they review sections 6 and 7 of the Iowa legislation, which discusses the organization of the information technology department.

The subcommittee discussed the current Information System Division under DOA and its comparison with other state's information technology departments. It was noted that Tony Herbert's position could be compared to that of the CIO when looking at the state's current IT program. Ms. Kelly stated that in some states the director of the administration department is the CIO and noted that this works particularly well in Ohio because of the way it is structured. However, in many cases this scenario does not work as the director has so many areas other than IT to cover that he/she does not have the time to dedicate to IT. Lois Menzies, in a personal testimonial to the subcommittee, stated that because IT demands so much of her time and is currently the priority, she doesn't have adequate time to spend on other important issues. Discussion continued regarding IT organization, authority given to the CIO and board, and the types of decisions made at that level.

The second part of Ms. Kelly's slide presentation focused on IT trends, examples from other states, and additional issues that influence IT governance. (Exhibit 5)

**CONSULTANT RECOMMENDATION: Representative Raney** asked Ms. Kelly to assist the subcommittee in developing a step by step IT plan to present to the next legislature. She listed the following as the initial five steps in developing the plan: 1) review the documents she presented to the subcommittee (Exhibits 1-5) to ascertain whether any of the examples could be used for models; 2) begin the process of drafting legislation that will allow the legislature to gain more control of the cost and efficiency issues; 3) establish a board to be comprised of constituents, legislators, CIO, etc., which will be the management level on an ongoing basis for projects; 4) establish the CIO's office; (Ms. Kelly clarified this by stating that Tony Herbert's current position could be established as the state CIO. However, because she was not familiar with his responsibilities, she would first have to review the position to ascertain his responsibilities. She stressed the importance of separating the tactical issues from the strategic issues. She suggested that Mr. Herbert's responsibilities in the IT policy areas be elevated to the position of CIO and that the day-to-day IT operations remain with the current position. Relieving the CIO of the day-to-day operation issues, would allow him to focus on the magnitude of important policy decisions.); and 5) review the list of legal issues noted in her slide

presentation (Exhibit 5, page 3). She also suggested "honorably" adopting Utah's legislation in regard to the protection of privacy issue. In response to a question from **Representative Raney** regarding which states' models could be used for comparison to Montana, Ms. Kelly listed the following: Wyoming, Utah, Washington, Arizona and South Dakota.

Pam Joehler noted that the subcommittee also needed to review the issues of CIO and board authority levels, as well as accountability and responsibility as part of their decision-making process.

**Representative Raney** brought up the issue of white page design, and Tony Herbert stated that ISD is now in the process of redesigning <u>Montana Online</u>, which is the current State of Montana white page. He offered to provide an update to the subcommittee at its next meeting in June.

## 4. Subcommittee Discussion on IT Governance Issues and Options

After a short break, the subcommittee returned and Pam Joehler distributed copies of a working document (the summarized recommendations from Ms. Kelly and issues listed by the subcommittee members during the discussion, which they felt needed to be addressed in the governance plan). (Exhibit 6) Mrs. Joehler suggested that the IT Subcommittee decide whether to make recommendations to the upcoming legislature and if so, then direct staff to draft a proposal incorporating the recommendations for presentation at the June meeting of the subcommittee. She noted that they would have to identify the areas in statute which need revision and also look at possible new legislation.

The subcommittee discussed the issues and options listed on the working document, IT Governance Issues and Options. The members talked about various details in the broader areas of the following: 1) IT staff placement; 2) CIO as a cabinet position; 3) a governance board, be it some form of the current ITAC or a completely restructured board; 4) appropriate legislative committee to review IT issues, possibly long range planning, State Administration, current appropriation committee, or creation of a new IT committee; and 5) how the budgeting process will work with regard to IT bills. Terry Johnson, Principal Fiscal Analyst, relayed to the

subcommittee his concerns regarding the budgeting process and the effects on the budget analysis, depending on how the IT appropriation process is structured.

The subcommittee decided to hear Greg DeWitt's presentation on the proposed legislative process for the unified computer budget summary during the 2001 Legislature before proceeding with the discussion and making any final decisions.

## 5. Proposed Legislative Process for the Unified Computer Budget Summary during the 2001 Legislature (Tape 3B-058)

Greg DeWitt presented his report on the proposed legislative process for the unified computer budget summary during the 2001 legislature. (Exhibit 7) The report reviews the options and issues the subcommittee may wish to consider as it provides a recommendation for the process to be used by the 2001 legislature in addressing the HB 2 required Unified Computer Budget Summary. The report included an executive summary and then a detailed discussion of the options. Mr. DeWitt summarized the report and presented two major issues for consideration by the subcommittee: 1) appropriate legislative committee to review the Unified Computer Budget Summary; and 2) appropriate level of decision involvement for the committee. He provided several options for each of these issues which are detailed on page 2 of his report.

Members of the subcommittee discussed the options regarding the appropriate legislative committee to review the Unified Computer Budget Summary, considering several of the current committees. **MOTION: Senator Jergeson** moved that the subcommittee accept staff recommendation, Option 1: Select Subcommittee, which was detailed in the report on page 7. **VOTE:** Motion carried unanimously.

The subcommittee discussed the second issue, level of involvement, and options provided by the LFD staff. The biggest concern was the definition of what constitutes a "major IT project" and what level of projects should be presented for approval by the Select Committee. Clayton Schenck, Legislative Fiscal Analyst, suggested that the LFD staff present a list of major IT projects with recommendations for the top three or four that the Select Committee should consider. These recommendations could be concurred in by the joint committee, similar to the

process where LFD presents the global budget issues to the joint committee of House Appropriations and Senate Finance and Claims at the beginning the legislative session.

**MOTION: Representative Zook** moved that the subcommittee accept Option 4: Policy Decisions, IT-Related Internal Service Rates, and Budget Recommendation for Major IT Projects, with the following addition: LFD staff will present a list of major IT projects they recommend for consideration by the Select Committee. **VOTE:** Motion carried unanimously.

## 6. Subcommittee Discussion on IT Governance Issues and Options - Continued

Following the vote on the major IT projects, the subcommittee returned its attention to the IT Governance Issues and Options working document, which Mrs. Joehler distributed earlier in the meeting. **Representative Raney** gave an overview of the discussion prior to turning to the agenda item, Unified Computer Budget. Following further discussion by the subcommittee on various details of the worksheet, Pam Joehler asked for clarification and direction for the staff in preparation for the June meeting. In preparation for pursuing the concept of CIO, the subcommittee asked staff to compare the bulleted issues under the heading, Establish concept of CIO, with Tony Herbert's current position and with the positions of CIOs in a couple other states to determine how they are structured. They also asked staff to conduct research to determine the fiscal impact of the various governance structures.

Mrs. Joehler also asked for clarification on the issue of Legislative Review and Oversight. She summarized the earlier discussion pertaining to interim legislative oversight and her interpretation of the outcome, which was that the subcommittee preferred involvement with the governance-type board rather than having a separate legislative oversight committee. The subcommittee briefly revisited this issue and decided to put it on the agenda for the June meeting for further review before making a final decision. **Representative Raney** asked **Senator Beck** to bring this issue before the Legislative Council for discussion and to present feedback from that meeting to the IT Subcommittee meeting in June.

The last item on the worksheet was the issue of legislation. Pam Joehler reminded the subcommittee members that if any new legislation or revised legislation is needed, depending on

the outcome of the subcommittee's decisions, the staff will need to prepare this and present it to the subcommittee for its review and approval. Members suggested several items for staff to review with respect to legislation prior to the next subcommittee meeting.

**6. 2001 Session Information Technology Budget Information Update** (Tape 4A-506)

Pam Joehler presented a background summary on the issue of the 2001 session information technology budget information. (Exhibit 8) At the December 1999 Legislative Finance Committee meeting, the members voted to approve the recommendations by the subcommittee for the structure and content of IT budget request information presented to the 57th Legislature. Mrs. Joehler explained to the subcommittee that since that time several potential issues have developed in regard to the information requirements contained in the recommendation. The purpose of this LFD staff report is to inform the subcommittee about these issues, which are detailed on pages 3, 4, and 5 of Exhibit 8. The issues are defined in two categories: 1) issues caused by OBPP digression from LFC recommendation; and 2) other issues, which are potential issues caused by the state accounting system functionality or by accounting procedures employed by some agencies. Mrs. Joehler listed three issues in the first category, along with the applicable LFC recommendation and the OBPP action creating the issue. She then listed options for consideration by the IT Subcommittee.

Jane Hamman, OBPP, provided comments on behalf of the budget office, explaining the reasons for the changes they made to the information. She and Mary Beth Linder responded to questions from the members of the subcommittee. Pam Joehler then provided comments on behalf of LFD.

**MOTION:** Following discussion of the issues by the subcommittee members, **Senator Jergeson** moved that the subcommittee accept the reality of the presentation. **VOTE:** Motion carried unanimously.

Pam Joehler then presented the other issues and options, as detailed on pages 5 and 6 of Exhibit 8. Greg DeWitt explained the issue pertaining to the lack of integration between the human resources and financial modules of the SABHRS system in relation to the personal services

funding adjustments. The subcommittee discussed the problems created by these issues and the possible actions to correct the problems.

OBPP staff responded to these issues and Pam Joehler and Clayton Schenck commented on behalf of LFD. They discussed the difficulties it creates for analysts when the information needed for the budget analysis is distorted. The subcommittee asked Mr. Herbert to research this issue with regard to the SABHRS system and make a report at the next meeting. Mr. Schenck stated that the LFD staff will work with Tony Herbert to try and resolve this issue.

## Next Meeting

The next meeting is scheduled for June 7, 2000.

## Adjournment

**MOTION: Representative Zook** moved the meeting be adjourned. **VOTE:** Motion carried unanimously. Meeting adjourned at 5:05 p.m.

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Representative Bob Raney, Chairman

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Cindy Campbell, Committee Secretary